

Q. #400

9521
PI

UNITED STATES TREASURY DEPARTMENT



OFFICE OF
THE ATTACHÉ
SHANGHAI

March 19, 1941

CONFIDENTIAL MEMORANDUM

China ✓

JHB
TO THE COMMISSIONER:

TWO CHINESE AS "BIG BOSSES" OF HEROIN DISPENSING TRAFFIC
IN GREATER PEIPING

Two influential Chinese, Liu Sheng-san (劉省三) and Chang Han-ching (常漢卿), at present control the numerous heroin dens operated in Peiping by Chinese. Both Liu and Chang are natives of Hopei Province and both deserted the opium business because of the Japanese monopolizing that trade. They have now found heroin highly lucrative, according to well-informed Chinese. They, having excellent connections with the Japanese, dispense to Chinese permission to operate heroin dens in Peiping and arrange

for "protection." It is reported that no Chinese may operate a heroin establishment within the Peiping municipality without the collaboration of one of the two. Liu and Chang are the "bosses" of the heroin retail trade.

The reported method employed is as follows: The Chinese who wants to open a heroin place applies to either Liu or Chang. Liu or Chang introduces a Japanese, who becomes a sort of partner of the Chinese in the traffic; the Japanese arranges for the purchase of heroin from the factory and for protection. They rent a house together but register separately with the police, the Chinese usually describing himself as a tenant or boarder or servant of the Japanese. The two occupy different portions of the den. The customer buys the heroin from the Japanese and then goes to the part occupied by the Chinese to smoke it--the Chinese acts as a sort of host and gets further supplies of the drug if wanted, usually through a small opening in the partition separating the two parts of the den. Addicts who have no cash with which to pay for their heroin consumption sometimes bring valuables or articles of clothing, which the Chinese partner appraises. The latter acts as pawnbroker but passes the goods on to the Japanese for disposal as such articles are frequently stolen.

9521
P2

-2-

If the Japanese partner absconds, Liu or Chang compensates the Chinese partner for any loss incurred. If the den is raided (which very rarely happens, and only through mistake), and the Chinese partner is arrested, the Japanese, with Liu or Chang, will arrange for the release of the Chinese.

On the other hand, if a Chinese should be foolish enough to operate heroin den without paying protection-money to Liu or Chang, the place is certain to be raided and the conductor does not get off easily. It is said that the two "bosses" regularly supply the police with the addresses of such unorthodox dens. Accounts of raids occasionally published by the local newspapers deal with such independent places.

Liu and Chang also are said to make a good deal of money by supplying heroin to retailers in the countryside about Peiping, where Chinese communist troops make it hard for heroin factories to exist.

It is reported that the Japanese Consular Police give protection to Japanese

and Koreans engaged in the heroin trade. Such dealers, if they violate regulations by selling the drug to Japanese or in any other way, may be arrested by the Consular Police without, however, their business being interrupted. A fine usually gets them off.

Japanese, as well as Chinese, are reported to be seeking the "good offices" of Messrs. Chang and Liu in getting established in the heroin trade.